

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

ATARI, INC., a Delaware)
corporation, and MIDWAY)
MFG. CO., an Illinois)
corporation,)
Plaintiffs,)

vs.)

No. 81 C 6434

NORTH AMERICAN PHILIPS)
CONSUMER ELECTRONICS)
CORP., a Tennessee)
corporation, and PARK)
TELEVISION, d/b/a PARK)
MAGNAVOX HOME ENTERTAIN-)
MENT CENTER, an Illinois)
partnership,)

) Before the Honorable
) George N. Leighton,
Defendants.) United States District Judge

Memorandum

I

This suit, alleging infringement of a copyright, deceptive trade practices, and common law unfair competition, reflects a phenomenon of our times: the widespread and frenzied popularity of the audio-video game, a product related to the modern-day computer. Involved is the question whether the copyright to an arcade video game called "Pac-Man" is infringed by the sale and distribution of another video game, "K. C. Munchkin." This court has federal question jurisdiction pursuant to 28 U.S.C. §§1331(a)(2) and 1338(a) and has pendant jurisdiction over the state law claims under 28 U.S.C. §1338(b).

Atari, Inc., a Delaware corporation, and Midway Mfg. Co., an Illinois corporation, owners of exclusive rights to the "Pac-Man" copyright, have moved for a preliminary injunction barring defendants, North American Philips Consumer Electronics Corporation and Park Television, d/b/a Park Magnavox Home Entertainment Center, "their employees, servants, agents, and all persons in active concert with them, from advertising, distributing, displaying, performing, selling, or offering for sale, the 'K. C. Munchkin' home video game, or in any other manner violating plaintiffs' exclusive rights under the copyright in the 'Pac-Man' audio-visual work." Evidence has been heard consisting of testimony of witnesses and exhibits which have been offered and received. It has been agreed between the parties that for the purpose of this proceeding, the validity of the copyright is not an issue; nor is it contested that during the relevant period defendants had access to the arcade video game, "Pac-Man." The issue to be resolved, however, is whether plaintiffs have established a likelihood that on the merits they will succeed in proving that defendants have infringed the copyright to "Pac-Man," and have engaged in deceptive trade practices and unfair competition. Resolution of this issue requires reference to the facts, including a detailed description of the two games.

II

A. Background

Plaintiff Atari, Inc., a leading developer and manufacturer of home video games and personal computers, is a Delaware corporation with its principal place of business in Sunnyvale, California. It markets and sells its products to dealers and distributors on whom it depends for sales to consumers. Plaintiff Midway Mfg. Co., a leading developer and manufacturer of coin-operated video games, is an Illinois corporation, having its principal place of business in Franklin Park, Illinois. Its coin-operated games are placed for use in a wide variety of public places, such as arcades, bars, hotels, shopping centers, retail stores, and restaurants.

Defendant North American Philips Consumer Electronics corporation, is a citizen of Tennessee, organized under the laws of that state, with its principal place of business in Knoxville, Tennessee. It manufactures, advertises, distributes and sells home video games. Defendant Park Television, d/b/a Park Magnavox Home Entertainment Center, is an Illinois partnership, having its principal place of business in

Evergreen Park, Illinois. It is a retailer of audio-visual equipment, including home video games marketed by North American such as the "K. C. Munchkin" game at issue in this proceeding.

Atari and Midway own exclusive rights under a copyright registered with the Register of Copyrights effective November 13, 1980 for the "Pac-Man Audiovisual Work," Reg. No. PA83-768. This game was created by a Japanese company in 1980 which by assignment and licenses vested in Atari and Midway their exclusive ownership of the copyright to "Pac-Man." These rights have great monetary value.

For example, since October 31, 1980, Midway has sold in excess of 75,000 "Pac-Man" video games throughout the United States at a wholesale value in excess of \$150 million. Each "Pac-Man" game sold by Midway contains a notice of its claim of copyright. The game has achieved widespread popularity among members of the American public. It has been the subject of numerous unsolicited news reports and has been featured on a number of nationwide television programs. Opinion polls rank it second among upright coin-operated video games in earnings. Widely circulated magazines of the video game industry have published polls relied upon by those in the video game industry. As a result of the game's

popularity, Atari has engaged in transactions that represent large investment in its future distribution for home video and personal computer use. It has paid substantial sums of money and has obligated itself to pay royalties for its exclusive ownership in "Pac-Man". In all, Atari has expended in excess of \$1.5 million in licensing, developing, and advertising its "Pac-Man" home video game.

B. The "Pac-Man" game

"Pac-Man," as it is now on the market, is an arcade maze-chase game. It is housed in a six feet tall and approximately twenty-four inch wide cabinet that has a viewing plate facing diagonally upwards toward a player standing in front of it. Through the viewing plate, a player sees a television type display, an oblong shaped maze with varying size and shape of geometric figures, and a number of characters, one a yellow dot with a V-shaped aperture at one side which opens and closes like a mouth. The maze appears in double blue lines; and throughout are several hundred evenly spaced pink dots which the central, yellow character gobbles as he moves about.

There are four other moving figures or characters, identical except that one is red, one blue, one turquoise, and one orange. All of these, sometimes called goblins, have eyes and appendages which simulate feet. They do not consume the dots, but move in a prearranged pattern about the maze which is unchanging. In the center is a blue box to which the goblins return each time the player begins a game. Four of the pink dots, located at approximately the four corners of the maze, are enlarged; and when the central figure, the gobbler, consumes those dots, the goblins change color to blue. When the goblins are in their original variety of colors, the central character is vulnerable, so that when the central character and one of the goblins collide, the central character is deflated (with accompanying audible sounds). At this point that particular play, but not the game, is finished.

When the goblins turn to blue for a few seconds, they are vulnerable to the gobbler and can be consumed by it, thus scoring points for the player. The player also gains points by avoiding the goblins and consuming the normal sized pink dots in the maze. The player may additionally gain points by consuming various fruit symbols placed near the center of the maze. The game is controlled by a joy stick on the front of the arcade

structure so that a player can guide the gobbler up or down, and left or right, through the fixed maze. Throughout the play of "Pac-Man," a number of musical notes are sounded for the audio portion of the game, and also a number of whistles and siren-like sounds can be heard in the background.

C. "K. C. Munchkin" Game

"K. C. Munchkin" has physical features which meet the technical requirements for presenting a game in an arcade type of viewer. These technical differences result in a different visual display. "K. C. Munchkin" as a home video game is also a maze-chase; but the maze is rectangular and appears on the home video screen as broader than it is tall, and there are more horizontal passageways in which the characters can move than in "Pac-Man". In "K. C. Munchkin", there is a practically infinite number of mazes, all of which give patterns as a matter of mechanics, as a matter of appearance, and as a matter of play tactics and technique. There is variability of mazes in "K. C. Munchkin."

The characters in "K. C. Munchkin" are different from those in "Pac-Man". In "K. C. Munchkin," the central character, the munchkin, appears as a blue

figure with horns, normally with a smile, but when he is attacked by a monster, his smile turns to a frown; and then he evaporates upwardly from the screen. The character, or the appearance of the central figure, is that he initially faces the viewer rather than showing a profile. As he moves along the maze he shows a profile, and when he stops, he turns around to face the viewer with another smile. Thus, the central character is made to have a personality which the central character in "Pac-Man" does not have. "K. C. Munchkin" has munchers which are much "spookier" than the goblins in "Pac-Man." Their legs are longer and move more dramatically; their eyes are vacant, all of these features being absent in "Pac-Man." The munchers are red, green, and yellow.

An apparent difference, from the point of view of play of the two games, is the changing orientation of the center of the maze in "K. C. Munchkin." In "Pac-Man," the center portion of the maze is elongated to accommodate the goblins and is stationary, never changing. The goblins simply move upward out of a fixed center "box" into the maze, while in "K. C. Munchkin," the first mode of play shows the center of the maze as a box changing the open side by ninety degrees every two or three seconds.

There are only twelve dots in "K. C. Munchkin" as opposed to over two hundred dots in "Pac-Man". In "K. C. Munchkin," the dots are randomly spaced, whereas in "Pac-Man," the dots are uniformly spaced. Furthermore, in "K. C. Munchkin," the dots are square and are always moving, and when the game is played, it becomes progressively more difficult for the central character to catch the remaining dots after he consumes the first one or two. The remaining dots accelerate so that toward the end the dots reach the same speed as the munchkin. The last dot is the most difficult to catch. It cannot be caught by overtaking it; it must be munched by strategy.

In playing the "K. C. Munchkin" game, it is necessary for the player to "out-think" the movements of the dots which is not the way that "Pac-Man" is played. In "K. C. Munchkin," the player must observe the whole grid and anticipate the movements of charactes and dots; while in "Pac-Man," the characters follow a set pattern, one which a skilled player can determine fairly readily. The dots do not move at all.

And in "K. C. Munchkin," in several of the modes of play, the maze is a periodically changing pattern or is a disappearing maze, that is, it appears on the screen when the player stops moving the munchkin and disappears

when the munchkin is in motion, so that the person who is playing has to anticipate where the walls of the maze might be. These disappearing maze modes are not present in "Pac-Man." "K. C. Munchkin" makes it possible for a player to program the maze shown on the screen by operation of the console. Stated another way, the player might draw on the screen whatever walls he wishes to create in the maze, thus creating a continuously changing maze from game to game. This is a significant difference in appearance from the fixed maze of "Pac-Man."

Finally, "K. C. Munchkin" has a set of sounds accompanying it which are distinctive to the whole line of Odyssey home video games. These sounds are not at all like the sounds which are played in the arcade form of "Pac-Man." The tone sequences are different, the notes are different, and create an entirely different impression on the listener. The reason for the sounds in "Pac-Man" is its installation in arcades where there are many competing noises from neighboring games and players.

"K. C. Munchkin," as a home audio-visual video game, was created for defendant North American by Ed Averett, independent contractor, who has been its consultant in creating home video games for the last four years. His

first interest in developing the game was met by a desire of North American executives to obtain a license to use "Pac-Man." Overtures were made to Midway Mfg. Co. without success. Mr. Averett, on the other hand, had developed approximately 21 such games, one of which was called "Take the Money and Run." That game is a maze-chase game whose maze configuration is rectangular and almost identical with that in "K. C. Munchkin." In the development of "K. C. Munchkin," Mr. Averett's wife, a highly skilled computer programmer, offered several suggestions which were adopted in the creation of "K. C. Munchkin," the most notable of which was the moving dot principle. Prior to embarking on the development of his game, Mr. Averett, in the company of a North American executive, saw a "Pac-Man" in an Atlanta, Georgia airport arcade. On at least one occasion before completing his design, he played a "Pac-Man." He was not impressed with the game because, in his judgment, it did not have enough violence for consumer appeal in an arcade setting. Mr. Averett did not recognize the appeal a lesser amount of violence in the game might have upon women, a market which was growing at the time, but substantially undeveloped. He recognized the concept in "Pac-Man" as a maze-chase game in which the central character was either pursued or the pursuer, and

that the characters were gobbled up when captured.

Mr. Averett showed an initial version of "K. C. Munchkin," although not known by that name at the time, to Mr. Staup of North American in July 1980. The company considered it, including the principle of changing mazes not only from mode to mode, but also a change during the course of each game, and made them programmable. Mr. Averett and his wife were both quite enthusiastic about the use of movable dots to be caught, both from the standpoint of building challenges into a game and also from the attractiveness of the game to a home video game player. The movement of the dots makes a maze-chase game much more challenging to play and less likely to lose interest for players over a period of time. The movements of the munchers was another item on which he wanted to exercise creativity; and in creating the "K. C. Munchkin" game, he wanted to give these the appearance of thinking so that they would be challenging to avoid. Accordingly, Mr. Averett and his wife built into "K. C. Munchkin" the need for a player to out-maneuver or trap the dots as they move about the mazes, and "out-think" both the dots and the munchers as they move in apparently purposeful fashion. For Mr. Averett, it was necessary to trap the dots through skill rather than simply chase them around. These features in

the initial version of "K. C. Munchkin" have been carried over into the final version.

The executives at North American were aware of possible difficulties with the plaintiffs in this action, even though they believed their "K. C. Munchkin" game was different from "Pac-Man." They urged Mr. Averett to create more differences; and consequently, the game's central character was given its ultimate appearance by changing the shape, adding antaennas, and changing the color from yellow to blue. The colors of the munchers were changed in order to get away from even a cosmetic similarity to the colors in "Pac-Man". The revised version of "K. C. Munchkin" was approved by the defendant North American in August 1980 and production was begun.

D. The post-production events

In the advertising, sale and distribution of its game, North American took steps which its executives believed would avoid any possible conflict or confusion between "K. C. Munchkin" and "Pac-Man." Internal instructions were issued within the company to avoid use of all trade names, trademarks, or trade designations of others in connection with the game promotion.

Specifically, instructions given were for the purpose of avoiding any reference to the "Pac-Man" game. On October 27 and November 27, 1981, memoranda were addressed to its sales force in which North American stressed that it did not want "others to misapply our game names and trademarks to their games. Likewise, we should not use other people's trademarks or game names to refer to our own games [sic]." The advertisements used referred to the "K. C. Munchkin" video game cartridge, its packaging for that cartridge, and the instruction manual; it did not include any material which could reasonably result in confusion with "Pac-Man."

One of North American's distributors in the greater metropolitan Chicago area is "Minnesota Fats, the Video King." This company is an independent retailer who purchases home video games from North American, but is not controlled by it. It does not now receive any advertising allowance from North American for games, and has not done so for some time in the past. On November 13, 1981, in a Chicago-Sun Times advertisement, Minnesota Fats included a description of "K. C. Munchkin" saying that it was "a Pac-Man type game." The insertion of this statement was not with permission of North American or any of its executives.

Some of North American's dealers in the Chicago area are on a cooperative advertising basis, but not Minnesota Fats. Co-op advertising dealers submit ads to North American for prior approval; and all approvals of cooperative advertising come to the attention of North American's district general manager, Mr. Ronald E. Geise. He administers and enforces North American's policy of avoiding use of any other trademark, trade name, or other trade designation. Ordinarily, the November 13, 1981 advertisement by Minnesota Fats would have come to Mr. Geise's attention, but in fact did not. After the advertisement appeared in the Chicago-Sun Times, Mr. Geise learned of this fact. A North American representative was instructed to call Minnesota Fats for the purpose of attempting to get that company to delete any reference of "Pac-Man" game in any future advertisement.

On the same day that the Minnesota Fats advertisement appeared in Chicago newspapers, Linda Pierce, a legal secretary employed by the law firm representing Atari, was instructed to locate and purchase a "K. C. Munchkin" home video game. After calling several Chicago Loop department stores, Ms. Pierce contacted Wieboldt's at One North State Street in Chicago and spoke to a Mr. Sarno. She told him that she

wanted to purchase a "K. C. Munchkin" home video game but he mistakenly believed that the game she wanted could hook up to a television set. Mr. Sarno explained to Ms. Pierce he thought she was confused and told her that the "K. C. Munchkin" home video game was a cassette that could be played on an Odyssey II home video system. He then explained to her that the "'K. C. Munchkin' game was just like 'Pac-Man.'" He told her they did not have the game, but expected to have some in the near future.

Two days later, Thomas P. Gallo, another investigator for Atari's lawyers, called one of Minnesota Fats' locations in Oak Lawn, Illinois in order to investigate North American's method of selling its "K. C. Munchkin" game at retail. Mr. Gallo knew that Minnesota Fats had advertised "K. C. Munchkin" as a "'Pac-Man'-type game." When he entered the store, he approached a female sales clerk asking to purchase a "K. C. Munchkin." There were only three such games in stock. He purchased one; and in a conversation, the salesgirl told him that the "K. C. Munchkin" was "just like 'Pac-Man.'" When Gallo asked her if the store had a "Pac-Man," she said it didn't but that they would have it in March; and the cost would be "probably higher, it's hard to say." In the same investigation, Gallo

called a Magnavox Home Entertainment Center in Lincoln Mall, Matteson, Illinois. The distributor had sold out its allotment of "K. C. Munchkin." Mr. Gallo was told that the distributorship received an allotment of a limited number of test units of "K. C. Munchkin." Gallo was unsuccessful in locating any additional "K. C. Munchkin" units since all the distributors he contacted had either sold out the game, or did not initially receive any.

III

From these facts, the court concludes that plaintiffs have not shown a probability that when this case is heard on its merits they will prove that defendants, in manufacturing and distributing "K. C. Munchkin," have infringed the copyright to "Pac-Man." In a copyright case, as in all others, a plaintiff seeking preliminary injunctive relief must demonstrate that there is a substantial likelihood of success on the merits at trial, that irreparable injury will be suffered unless the injunction issues, that the threatened injury to the movant outweighs the damage which the injunction may cause the opponent, and that the injunction will not be adverse to the public

interest. Dallas Cowboys Cheerleaders vs. Scoreboard Posters, 600 F.2d 1184, 1187 (5th Cir. 1979); Metro-Goldwyn-Mayer vs. Showcase Atlanta Co-op. Prod., 479 F.Supp. 351, 355 (N.D. Ga. 1979). Whether a preliminary injunction will issue is entrusted to the discretion of this court. The factors which should guide exercise of this discretion are:

(1) the threat of irreparable harm to the plaintiff; (2) the state of the balance between this harm and the injury that granting the injunction will inflict on other parties litigant; (3) the probability that plaintiff will succeed on the merits; and (4) the public interest.

Dataphase Systems, Inc. vs. C. L. Systems, Inc., 640 F.2d 109, 113 (8th Cir. 1981). No one of these is determinative.

In this proceeding, plaintiffs' ownership of a valid copyright is conceded; therefore, allegations of irreparable injury need not be detailed, because such injury can normally be presumed when a copyright is infringed. Wainright Securities, Inc. v. Wall Street Transcript Corp., 558 F.2d 91, 94 (2d Cir. 1977), cert. denied, 434 U.S. 1014 (1978); 98 S.Ct. 730. But, in order to prevail on their claim of copyright infringement, plaintiffs must prove that defendants performed and distributed games copied from the

audio-visual work, "Pac-Man." Scott v. W. K. J. G., Inc., 376 F.2d 467 (7th Cir. 1967), cert. denied, 389 U.S. 832 (1967); cf. Bell v. Combined Registry Company, 397 F.Supp. 1241 (N.D. Ill. 1975), 429 U.S. 1001; 97 S.Ct. 530; see 3 M. Nimmer, Copyright §§13.01 and 13.02[A] (1978). In this court's judgment, plaintiffs, on a trial of the merits, will not be able to make this proof.

"Copied," within copyright infringement cases, is shown "if ordinary observation would recognize it as having been appropriated from or patented after the copyrighted work." Peter Pan Fabrics, Inc. v. Arcadia Co., 173 F.Supp. 292, 300, 274 F.2d 487 (1960).

"Copying" proscribed by copyright law means more than tracing original, line by line; to some extent it includes appropriation of artist's thought in creating his own form of expression. Franklin Mint Corp. v. National Wild Life Art Exchange, Inc., 575 F.2d 62, 65 (3d Cir. 1978), cert. denied; see C. M. Paula Co. v. Logan, 355 F.Supp. 189, 191 (N.D. Tex. 1973).

Since plaintiffs cannot prove copying, they advance the theory that "K. C. Munchkin" is substantially similar to "Pac-Man." However, substantial similarity for copyright infringement purposes it is determined by the ordinary observer test. Novelty Textile Mills, Inc. v. Joan Fabrics Corp., 558 F.2d 1090, 1093 (2d Cir.

1977); cf., Walter v. University Books, Inc., 602 F.2d 859 (9th Cir. 1979). But evidence in this record shows that "K. C. Munchkin" is not substantially similar to "Pac-Man." In fact, it has been established in this proceeding that defendants created their game from a source they had utilized before "Pac-Man" came into existence; the maze defendants utilized is different, and the way their game is played is different from plaintiffs' "Pac-Man."

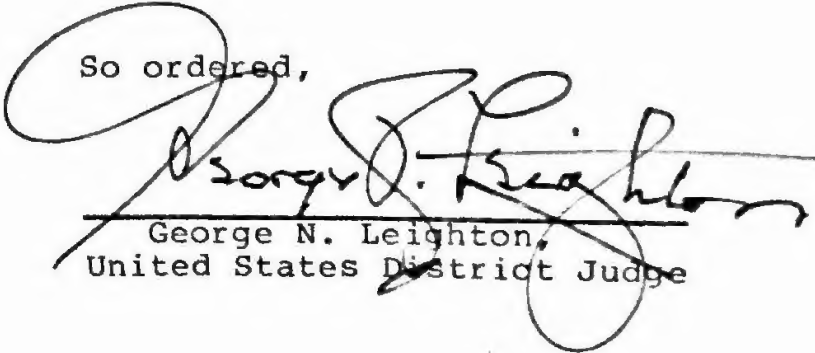
As to plaintiffs' claims of deceptive trade practices and common law unfair competition by confusion of goods, no showing has been made of probable success on the merits. The test of confusion of goods is whether similitude of labels would probably deceive a purchaser exercising ordinary prudence, not whether it would deceive a careless buyer who makes no examination. Avrick v. Rockmont Envelope Co., 64 F.Supp. 765, 766 (D.C. Colo. 1945) rev'd on other grounds, 155 F.2d 568. The evidence does not show a similitude of labels by which plaintiffs sell "Pac-Man" and those under which defendants distribute and sell "K. C. Munchkin." Neither the testimony of Mr. Gallo, nor the affidavit of Ms. Pierce shows a confusion by members of the public of plaintiffs' video game with that of defendants'. The advertisement by Minnesota Fats referring to "K. C. Munchkin" as "a Pac-Man type

game" did not confuse one game with the other. This was a description by which the two were separately identified.

IV

Therefore, plaintiffs' motion for preliminary injunction is denied. They are not entitled to preliminary injunctive relief on claims of copyright infringement, deceptive practices, and unfair competition where their ultimate ability to prevail is questionable. Eagle-Friedman-Roedelheim Co. v. Allison Mfg. Co., 204 F.Supp. 679 (D.C. Pa. 1962); Dallas Cowboys Cheerleaders v. Scoreboard Posters, 600 F.2d 1184, 1187 (5th Cir. 1979); O'Neill Developments, Inc. v. Galen Kilburn, Inc., Slip Op. (N.D. Ga. October 22, 1981).

So ordered,


George N. Leighton,
United States District Judge

Dated: DEC 4 1981